

**Magisterial District Court 23-1-02  
County of Berks, Pennsylvania**

**Magisterial District Judge Carissa L. Johnson**

**Annual Financial Statement Audit**

**For the Year Ended December 31, 2017**



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# COUNTY OF BERKS, PENNSYLVANIA

## Office of the Controller



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### Internal Auditor's Report

Magisterial District Judge Carissa L. Johnson  
Magisterial District Court 23-1-02  
1150 Muhlenberg St.  
Reading, PA 19602

#### *Report on the Financial Statement*

We have audited the accompanying Statement of Receipts, Disbursements and the Changes in Cash Balance of Magisterial District Court 23-1-02 for the year ending December 31, 2017.

#### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatements, whether due to fraud or error.

#### *Internal Auditor's Responsibility*

Our responsibility is to annually audit the accounts of every magistrate or district judge within the County and to report the results of such audits to the Berks County Commissioners, the Berks County President Judge, the Auditor General of Pennsylvania, and to the governing body of each political subdivision which is entitled to receive funds collected on its behalf by the District Court.

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

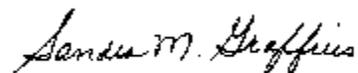
In our opinion, the financial statement referred to above presents fairly, in all material respects, its cash receipts, disbursements and cash balance for the year ending December 31, 2017 in accordance with the cash basis of accounting described in Note 1.

### *Basis of Accounting*

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, Internal Audit has also issued a separate report dated June 25, 2018 on our evaluation of Magisterial District Court 23-1-02's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, policies and/or procedures. That report is an integral part of the audit performed in accordance with Government Auditing Standards and is to be read in conjunction with this report in considering the results of the audit.



Sandra M. Graffius, Controller  
June 25, 2018

**Magisterial District Court 23-1-02  
County of Berks, Pennsylvania  
Statement of Receipts, Disbursements and Changes in Cash Balance – Cash Basis  
For the Year Ended December 31, 2017**

<b><u>Receipts</u></b>	\$ 553,145
<b><u>Disbursements</u></b>	
Commonwealth	216,273
County of Berks	183,578
Local authorities	114,786
Constable fees	28,461
Restitution, bail and collateral	16,592
<b>Total Disbursements</b>	559,690
<b>Cash disbursements in excess of receipts</b>	(6,545)
Cash, beginning of year	30,458
<b>Cash, end of year</b>	<b>\$ 23,913</b>

The accompanying notes are an integral part of the financial statement.

**Magisterial District Court 23-1-02  
County of Berks, Pennsylvania  
Notes to Financial Statement  
For the Year Ended December 31, 2017**

**Note 1: Nature of the office and significant accounting policies**

**Nature of the office:**

Magisterial district courts have jurisdiction over the preliminary stages of all criminal cases. They have jurisdiction over all traffic and non-traffic summary cases and jurisdiction in civil cases where the amount in controversy is \$12,000 or less. They do not have jurisdiction over matters pertaining to real estate, except landlord and tenant matters. Magisterial district courts collect fines, costs, restitution, and bail from defendants. The funds are then distributed to the Commonwealth, the County of Berks, local authorities, constables, and victims of illegal activities.

Magisterial district courts are presided over by magisterial district judges. Appeals from magisterial district judge judgments are taken to the Court of Common Pleas.

Magisterial district judges are employees of the Commonwealth and the court secretaries are employees of the County of Berks.

**Reporting Entity:**

The financial statement of the Magisterial District Court includes only those transactions handled directly by the Magisterial District Court. These transactions include the collection of costs, fines, bail, and restitution, as well as the subsequent disbursement of these funds to the Commonwealth of Pennsylvania, to related political subdivisions, and to the citizens served by the Magisterial District Court. As such, the Magisterial District Court acts as a conduit for the Commonwealth, local municipalities, and constituents it serves. Consequently, the Magisterial District Court's cash balance at any point in time represents undisbursed funds to one (or all) of these parties. This report is only for internal auditing purposes.

The actual operating expenses of the Magisterial District Court are paid by the County of Berks, except for the Magisterial District Judge's salary which is paid by the Commonwealth. These costs include the salaries and wages of district court employees, fringe benefits, office rent, postage, telephone, office supplies, computer/LAN use, and furniture and equipment. These costs are not included in the audited Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

**Basis of accounting:**

The Financial Statement of Magisterial District Court 23-1-02 has been prepared on the cash-basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The cash-basis of accounting differs from GAAP primarily because revenues are recognized when received rather than when earned and expenses are recorded when paid rather than incurred. The financial statement presents only cash and changes therein in the form of cash receipts and disbursements

**Magisterial District Court 23-1-02  
County of Berks, Pennsylvania  
Notes to Financial Statement - Continued  
December 31, 2017**

**Administrative Guidelines:**

An automated *Clerical Procedures Manual* is published by the Administrative Office of Pennsylvania Courts (AOPC). Each magisterial district court is required to follow the procedures mandated under the authority of Rule 505 of the Pennsylvania Rules of Judicial Administration.

**Administrative Guidelines:**

Phyllis Kowalski was the Magisterial District Judge for the period January 1, 2017 to December 31, 2017.

**Note 2: Cash**

The following cash account is in the name of Magisterial District Court 23-1-02, County of Berks, and is not reflected in the County of Berks financial statements:

Bank	Account Type	Bank Balance	Carrying Value
BB&T	Checking	\$35,602	\$23,913

The cash account for Magisterial District Court 23-1-02 is assigned its own tax identification number.

The account holds funds received by Magisterial District Court 23-1-02 primarily in a trust and agency capacity and use of these funds by Magisterial District Court 23-1-02 is restricted.

Amounts on deposit do not exceed \$250,000 and therefore are fully covered by FDIC insurance.

**Note 3: Legal Matters**

Our audit disclosed no pending litigation involving the Magisterial District Court or Magisterial District Judge (Phyllis Kowalski) that would affect the financial statement for the year ended December 31, 2017.

**Note 4: Subsequent Events**

Phyllis Kowalski served as Magisterial District Judge during audit year 2017. Carissa L. Johnson was sworn in and began serving as Magisterial District Judge January 1, 2018.

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### Internal Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Magisterial District Judge Carissa L. Johnson  
Magisterial District Court 23-1-02  
1150 Muhlenberg St.  
Reading, PA 1602

In planning and performing our audit of the financial statement of Magisterial District Court 23-1-02 for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Magisterial District Court 23-1-02's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Magisterial District Court 23-1-02's internal control. Accordingly, we do not express an opinion on the effectiveness of Magisterial District Court 23-1-02's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Recommendations that we consider to be significant deficiencies.

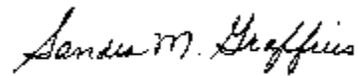
- Backlog of unserved warrants subject to recall

The management of Magisterial District Court 23-1-02's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The management of Magisterial District Court 23-1-02's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

As part of obtaining reasonable assurance about whether Magisterial District Court 23-1-02's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of Magisterial District Court 23-1-02 in a separate letter dated June 25, 2018.

This report is intended solely for the information and use by the management of Magisterial District Court 23-1-02 and other affected county offices, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Sandra M. Graffius".

Sandra M. Graffius, Controller  
June 25, 2018

**Magisterial District Court 23-1-02  
County of Berks, Pennsylvania  
Schedule of Audit Findings and Recommendations**

**Significant Deficiency and Management's Response**

**1. Backlog of unserved warrants subject to recall**

**Condition:** During our review of the timeliness of recalling warrants, we noted that Magisterial District Court 23-1-02 was not current in performing this duty. At the time of the audit, there were 3,976 outstanding warrants with an issue date aged beyond 90 days. As a result, the court is not in compliance with the Magisterial District Judge System manual and the Court of Common Pleas of Berks County, Pennsylvania, Administrative Order Concerning Warrant Procedures dated May 8, 2018.

The Court of Common Pleas of Berks County, Pennsylvania, Administrative Order Concerning Warrant Procedures dated May 8, 2018 states:

*"Those in possession of a warrant in a summary case shall be notified to return the outstanding warrant to the Magisterial District Court within 90 days of issuance."*

**Recommendation:** We recommend that the Magisterial District Court 23-1-02 staff review warrant management reports and notify servers to return warrants where the ordinary means of service has failed after 90 days. Returned warrants can either be recorded in the Magisterial District Judge System (MDJS) as unserved, if the defendant is unable to be located; or they can be recalled for reissue, if the server has not exhausted all means of finding the defendant.

**Management's Response:** Regarding 2017 Audit backlog of unserved warrants, all warrants have been returned unserved, as per the Court Order issued on May 8<sup>th</sup>, 2018.

**Magisterial District Court 23-1-02  
County of Berks, Pennsylvania  
Schedule of Prior Year Audit Findings and Recommendations**

**1. Backlog of unserved warrants**

**Condition:** During our review of the timeliness of recalling warrants, we noted that Magisterial District Court 23-1-02 was not current in performing this duty. The court monitors unserved warrants as time permits. At the time of the audit, there were 3,915 outstanding warrants with an issue date aged beyond 60 days. As a result, the court is not in compliance with the Magisterial District Judge System manual and the Court of Common Pleas of Berks County, Pennsylvania, Administrative Order Concerning Warrant Procedures dated March 14, 2007.

The Magisterial District Judge System manual states:

*“For summary traffic and non-traffic cases, outstanding warrants should be returned to the Magisterial District Judge office within 60 days of issuance.”*

The Court of Common Pleas of Berks County, Pennsylvania, Administrative Order Concerning Warrant Procedures dated March 14, 2007 states:

*“Where the ordinary means of service of a warrant in a misdemeanor or felony case have failed after sixty (60) days, the Magisterial District Judge shall recall the warrant (REIS) and the server shall immediately return the warrant.”*

We recommend Magisterial District Court 23-1-02 staff review warrant management reports and notify servers to return warrants where the ordinary means of service has failed after 60 days. Returned warrants can either be recorded in the Magisterial District Judge System (MDJS) as unserved, if the defendant is unable to be located; or they can be recalled for reissue, if the server has not exhausted all means of finding the defendant.

**Recommendation:** We recommend that Magisterial District Court 23-1-02 staff print and issue warrants and pre-warrant notices on a timely basis to reduce the risk of not locating offenders, non-collection of fines and misappropriation of funds.

**Management’s Response:** We have a very busy office but we keep up with our warrant function. The staff has to prioritize what they do in order to keep efficiently running. First is the timeliness of hearings, dispositions, night court work, processing of mail (payments), and telephone and window traffic. Then comes warrants: which are pretty timely in our office. Going back, canceling the warrants, reissuing gets done with the time we have left. As long as we stay busy as we are, some functions must suffer.

**Current Status:** Management has not adequately addressed the condition.